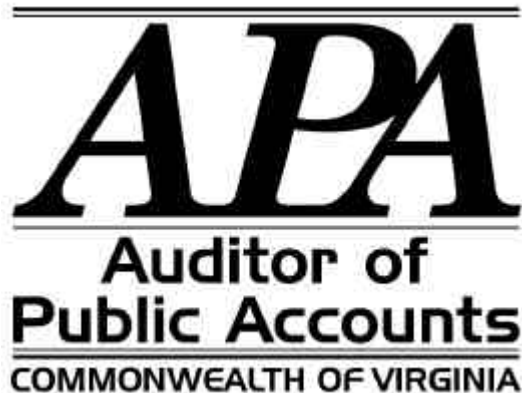


**SOUTHWEST VIRGINIA
HIGHER EDUCATION CENTER
ABINGDON, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Southwest Virginia Higher Education Center for the year ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System (CARS) and in its financial accounting system;
- no material weaknesses in internal control; and
- no material noncompliance with applicable laws and regulations tested that are required to be reported.

November 15, 2001

The Honorable James S. Gilmore III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit and
Review Commission
General Assembly Building
Richmond, Virginia

AGENCY BACKGROUND

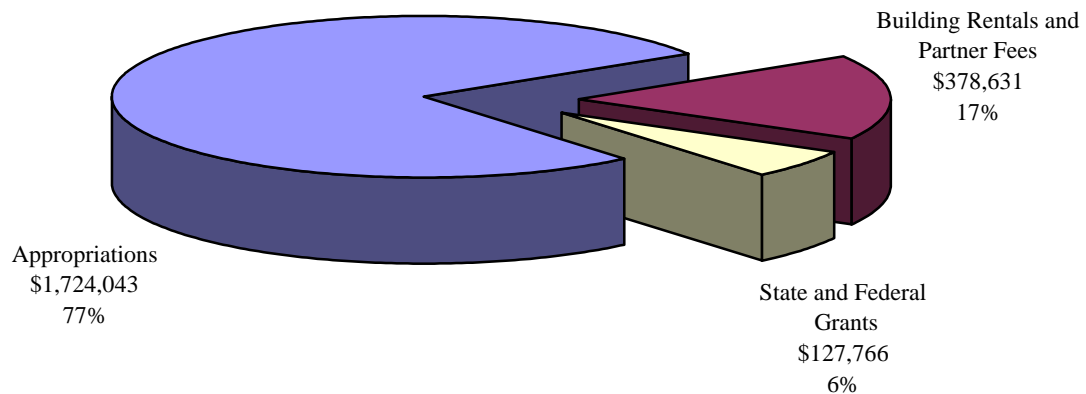
The Southwest Virginia Higher Education Center (the Center) was established in 1991 by the General Assembly to strengthen the economy of southwest Virginia through education and training of the workforce. The Center coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region, in coordination with the State Council of Higher Education for Virginia. The Center has seven academic partners, which include: Emory & Henry College, Old Dominion University, Radford University, University of Virginia, University of Virginia's College at Wise, Virginia Polytechnic Institute and State University, and Virginia Highlands Community College. George Mason University and Virginia Commonwealth University also offer courses at the Center.

The Center offers more than 60 undergraduate and graduate degree programs through its relationship with its academic partners. During the 2000-2001 school year, registration for fall semester 2000 was 1,576. Registration totaled 1,520 for the spring of 2001.

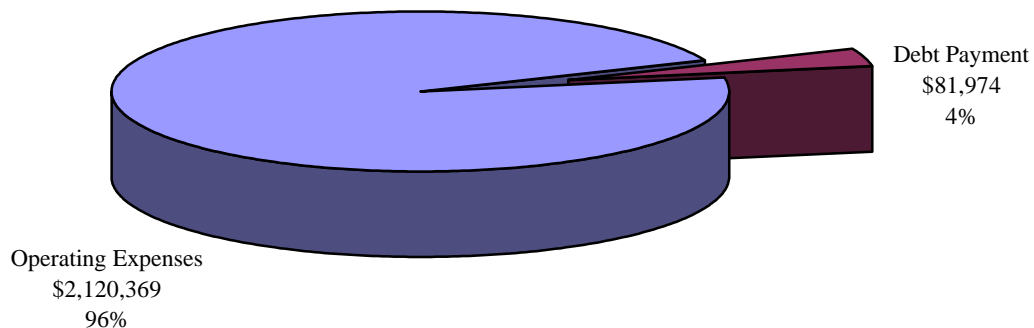
In addition to promoting economic development and growth, through education, in southwest Virginia, the Center leases out rooms during the year. Events include training, meetings, trade shows, banquets, interviews, and seminars. The fees collected are used to fund other various needs of the Center.

Major sources of revenues for the Center include: appropriations, federal and state grants, and non-general fund revenues from conferences, leased office space, and partner fees. The following graphs provide a breakdown of revenues and expenditures for fiscal year 2001:

Revenues



Expenditures



INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Southwest Virginia Higher Education Center** for the year ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the Center's accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Center's financial accounting system, review the adequacy of the Center's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Center's operations. These procedures included reviews of documents and records at the University of Virginia, which provides administrative support for the Center. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations, over significant cycles, classes of transactions, and account balances for expenditures and revenues.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Center's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Center's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Center properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in its financial accounting system. The Center records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Center's financial accounting system.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with the Executive Director on November 16, 2001.

AUDITOR OF PUBLIC ACCOUNTS

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER
Abingdon, Virginia

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EXECUTIVE DIRECTOR

Rachel D. Fowlkes